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MATTERS TO BE PROVIDED ELECTRONICALLY AT THE TIME OF CONVOCATION OF THE 52nd ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

The 52nd (from January 1, 2022 to December 31, 2022)

McDonald's Holdings Company (Japan), Ltd.

With regard to the above matters, in accordance with laws and regulations and Article 14 of our Articles of Incorporation, we omit the description in the document to be delivered to shareholders who have requested delivery of the document (the document stating the matters to be provided electronically).

Explanatory Notes to Consolidated Financial Statements

1. Assumptions underlying preparation of consolidated financial statements

(1) Item relating to scope of consolidation

Consolidated subsidiaries

Number of consolidated subsidiaries:	1
Name of consolidated subsidiaries:	McDonald's Company (Japan), Ltd.

(2) Item relating to the fiscal years etc. of consolidated subsidiaries

All consolidated subsidiaries end their fiscal years on the same day as the date of closing of consolidated accounts.

(3) Items related to accounting standards

(a) Standards and methods of valuation for significant assets

Marketable and investment securities	
Held-to-maturity securities:	Valued at cost.
Other securities:	
Unquoted securities:	Valued at cost using the periodic average method
Inventories	
Raw materials and supplies	Inventories are measured principally at the lower cost or market, determined by the total average method (carrying amount of inventories is determined by write-down method base on decreased profitability)

(b) Major depreciable assets and methods of depreciation

Property and equipment: (excluding lease asset)	Straight-line method
Intangible assets: (excluding lease assets)	Straight-line method (For software used internally, the straight-line method is applied based on the period of expected use by the Company (5 -10 years))
Lease assets:	Lease assets related to finance lease transactions where there is no transfer of ownership: Straight-line method with estimated useful lives equal to lease terms, and zero residual values.

(c) Allowances and provisions

Allowance for doubtful accounts:	To provide for potential losses from doubtful accounts, the Company recognizes an amount calculated on the basis of a statutory deduction ratio for general accounts receivable plus an amount for specific accounts for which collection appears doubtful.
Provision for bonuses:	Allowance for bonuses amount has been recorded for future bonus payments to employees for this consolidated fiscal year. As some employees are entitled to stock-price-linked bonus, such amount is estimated at the fair market value of each fiscal closing date for the period from the grant date to payment date calculated using the Black Scholes option model, multiplied by the proportion of the elapsed period over the total vested period. This calculation only reflects market conditions.

Provision for directors' bonuses: As some employees are entitled to stock-price-linked bonus, such amount is estimated at the fair market value of each fiscal closing date for the period from the grant date to payment date calculated using the Black Scholes option model, multiplied by the proportion of the elapsed period over the total vested period. This calculation only reflects market conditions.

Provision for directors' retirement benefits:
In order to prepare for the payment of retirement benefit to directors, a provision is made for the estimated amount to be paid as of the end of the fiscal year based on the regulations of retirement allowance to retiring directors.

Provision for loss on disposal of inventories:
A reasonably estimated amount is recorded in provision for inventories as loss expected to occur from disposal in future.

(d) Accounting treatment for retirement benefit obligations

The attribution method for projected retirement benefits:
For the purpose of retirement benefit obligation, straight-line method is used in attributing the current term retirement benefits estimated value through the end of this fiscal year.

Amortization method of actuarial gain and loss:
Actuarial gain and loss is expensed by allocating in straight-line method in each year of occurrence over a certain time period (6 years) at the time of respective fiscal year.

(e) Standards for recognition of significant revenues and expenses

(Revenue recognition related to hamburger restaurant business)

In store operations, sales transactions occur daily based on orders from customers, including sales transactions for orders received in stores, sales transactions for orders received via mobile ordering, and sales transactions through delivery services by company's own and using outside contractors. For mobile order and delivery services, order data from the customer is transferred to the POS system via the order receipt server and converted into sales transaction data.

(1) Company operated store sales

For sales at company-operated stores, the performance obligation is satisfied when the goods are provided to customers, and therefore, revenue is recognized at that point. Company-operated store sales are recorded when sales transactions at company-operated stores are recorded in the POS system and automatically transferred to the accounting system via the sales management system.

(2) Franchise revenue

Royalty income received from franchise corporations based on franchise agreements, is calculated based on the net sales of the franchise corporations, as they are promises to grant licenses to the franchise corporations, and revenue is recognized when such net sales are generated. Sales transactions at franchised stores are recorded in the POS system, automatically transferred to the accounting system via the sales management system, calculated based on the recorded sales transaction data and the rate stipulated in the franchise agreement, and recorded in the accounting system. For initial franchise fees received from franchise corporations based on franchise agreements, the Company recognizes the consideration as a contract liability when the franchise agreement is entered into and then recognizes it as revenue over some time in accordance with the satisfaction of performance obligations.

(f) Goodwill

Amortization of goodwill is computed by using the straight-line method over 5 years.

2. Notes to changes in presentation

Application of accounting standards for revenue recognition:
From the beginning of the current consolidated fiscal year, the Company applies “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and recognizes revenue with the amounts expected to be received in exchange for the promised goods or services as the control of such goods or services are transferred to customers.
As a result, initial franchise fees income, which were previously recognized at a point in time, are recognized as the Company satisfies the performance obligation over the franchise term.
In addition, the Company changed its method of recognizing revenues from loyalty programs operated by other companies, in which the amount equivalent to the points awarded at the time of product sales was recorded as selling, general and administrative expenses, to recognizing revenues on a net basis.
The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current consolidated fiscal year, was added to or subtracted from the beginning balance of retained earnings of the current consolidated fiscal year.
As a result, for the consolidated cumulative fourth quarter, net sales decreased by 79 million yen, selling, general and administrative expenses decreased by 396 million yen, and each of operating income, ordinary income and income before income taxes increased by 317 million yen, accordingly. In addition, the beginning balance of retained earnings decreased by 2,307 million yen.
Due to the application of the Accounting Standard for Revenue Recognition, “Other” presented as “Current liabilities” in the consolidated balance sheet for the previous fiscal year is included in “Contract liabilities” from the current consolidated fiscal year. As a result, “Other” presented as “Current liabilities” in the consolidated balance sheet decreased by 2,006 million yen for the consolidated cumulative fourth quarter.

Application of accounting standard for fair value measurement:
From the beginning of the current consolidated fiscal year, the Company applies “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in the paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement is adopted prospectively. There is no effect by this change on the consolidated financial statements.
In addition, in the notes of "Financial Instruments," the Company provides notices regarding the breakdown of financial instruments by market value level and other matters.

3. Notes on Changes in Presentation Methods

Application of the “Accounting Standard for Revenue Recognition”
With the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the current fiscal year, the Company has reclassified "Other" presented as "Current liabilities" in the balance sheet for the previous fiscal year to "Contract liabilities" and "Other" in the current fiscal year.

4. Notes on Accounting Estimates

(1) Impairment of non-current assets

A. Amount recorded in the consolidated financial statements for the current fiscal year
Impairment loss 863 million yen

B. Information of significant accounting estimates for identified items
For groups of assets that are on the verge of impairment, the Group assess whether an impairment loss should be recognized. In the event that the total amount of undiscounted future cash flow is less than the book value of the assets, the carrying value of each asset group is reduced to its respective recoverable amount, and the amount of the reduction is recognized as an impairment loss. The undiscounted future cash flows are estimated based on the past sales, cost of sales, and expenses of the head office of each asset group, taking into account expected sales growth and expected changes in the cost of sales ratio in the following fiscal years and thereafter. Since there are many uncertainties over the key assumptions, actual cash flows may deviate from the estimated amount. If prolonged COVID-19 infection and other incidents cause the deterioration in profits of asset groups, the company may recognize an indication of

impairment of its asset groups and may record an impairment loss in the following fiscal year.

(2) Valuation of long-term deferred account receivables

A. Amount recorded in the consolidated financial statements for the current fiscal year

Long-term deferred account receivables 12,326 million yen
(including items to be collected within one year)

B. Information of significant accounting estimates for identified items

Long-term deferred account receivables are due from some franchise corporations for certain royalties and other payments due to McDonald's Company Japan, Ltd. a wholly owned subsidiary of the Company.

The recoverable amount of long-term deferred account receivables is estimated based on the debtor's business condition, future earnings and cash flow projections, and other factors. The key assumption in this estimation is the estimated amount of collection based on the debtor's repayment plan. As of the end of the current fiscal year, no allowance for doubtful accounts were recorded for long-term deferred account receivables, as it was determined that the full amount of these receivables was collectible.

Due to the uncertainty of estimates regarding such key assumptions, an allowance for doubtful accounts may be recorded in the following fiscal year or later if the debtor's business condition deteriorates more than expected.

5. Notes to consolidated balance sheets

(1) Accumulated depreciation on property and equipment 82,946 million yen.

(2) Due to selling of restaurant business to franchisee by entering franchise contracts, the amount of non-current assets transferred to other accounts was 1,102 million yen in book value (Buildings and Structures 602 million yen, Machinery and Equipment 239 million yen, Tools, Furniture and Fixtures 177 million yen and Lease Assets 31 million yen and Goodwill 50 million yen.).)

(3) Revaluation of land

As per the Law Regarding the Revaluation of Land (Public Law No. 34, March 31, 1998), land used for business purposes is revalued and any valuation differential is recorded under shareholders' equity

Revaluation method:
As per Article 2-3 of the Implementation Order for the Revaluation of Land (Public Ordinance No. 119, March 31, 1998), the calculation was carried out using a rational adjustment based on the valuation amount for property tax

Date of revaluation: December 31, 2001
Difference between book value and post-revaluation market value of revalued land at end of term: (820) million yen

(4) Reductions of Property and Equipment from gains on insurance claims were 22 million yen.

(5) "Other" asset in investments and other assets in the amount of 2,000 million yen is provided as guarantee deposits for the issuing of gift certificates (McCard), as per the relevant laws regulating prepaid gift certificates. Liabilities collateralized by these guaranteed deposits are Contract liabilities from customers in the amount of 3,513million yen. (Balance presented in the consolidated balance sheets is 2,006 million yen by deducting unredeemed McCards that are expected to end up remaining unused ultimately.)

6. Notes to consolidated statement of income

617 million yen of gain on sales of restaurant businesses from entering franchising contracts is included in sales. The sale price to the franchisee is based on the cash flows expected to be generated in the future by the store operation business to be sold and is the amount agreed upon with the buyer, the franchisee.

7. Notes to consolidated statement of changes in net assets

(1) Number of outstanding shares

	Beginning of term	Increase	Decrease	End of term
Common Stock	132,960,000	－	－	132,960,000

(2) Dividend

Amount of dividend paid
Resolution: The 51st annual general shareholders' meeting held on March 29, 2022
Total amount of dividend 5,185 million yen
Dividend per share 39 yen
Reference date 2021/12/31
Effective date 2022/3/30

Amount which reference date is in the current year but effective date is in the following year
Resolution (estimate): The 52nd annual general shareholders' meeting scheduled on March 28, 2023
Total amount of dividend 5,185 million yen
Dividend per share 39 yen
Reference date 2022/12/31
Effective date 2023/3/29
Dividend resource Retained earnings

8. Notes to financial instruments

(1) Status of financial instruments

A. Policies for financial instruments

The Company considers excess cash as standby fund for the business investment therefore it is invested only to short-term financial instruments with relatively low risk.

B. Contents and risks of financial instruments and risk management structure

Receivables are exposed to credit risks of our business partners. Major business partners' credit information is captured, and due dates and balances is controlled for each business partner, based on our Franchisees Credit Control Policy and Real Estate Receivables Rules.

Investment securities are mainly held-to-maturity debt securities. The credit risk is minimal because only highly rated bonds are used in accordance with the Company's cash and asset management policy, and the credit risk is minimal.

Investment securities are mainly for the companies with which we have business relationships, and there is no market price for them. Therefore, there is minimum risk due to the fluctuation of market price.

Lease and guarantee deposits mainly consist of security deposits for lease contracts of the restaurants and is exposed to credit risk of landlord. This risk is managed through monitoring balance by landlord as well as capturing credit information, based on our Franchisees Credit Control Policy and Real Estate Receivables Rules.

Due dates of majority of account payables and accrued liabilities are within one year.

Lease obligations for finance lease transaction is mainly for capital investment, and latest redemption date is 6 years from the consolidated balance sheets date.

C. Additional note to fair market value of financial instruments

Fair market price of financial instruments includes reasonably estimated value when market price does not exist. As this estimation includes variables, it is subject to change as the assumptions of the calculation change.

(2) Fair market value of financial instruments

Amount recorded on consolidated balance sheet as of December 31, 2022, fair market value, and differences are as follows. Items with extremely difficult to capture fair market value are not included in the following chart. There are no derivatives as of the end of this fiscal year, therefore, there is no fair market value to be disclosed for derivatives.

(Millions of yen)

		Amount recorded on consolidated balance sheet	Fair market value	Difference
(1)	Cash and deposits	61,362	61,362	—
(2)	Accounts receivable-trade	19,997		
	Allowance for doubtful accounts(*1)	(11)		
		19,986	19,986	—
(3)	Investment securities			
	Held-to-maturity securities	4,000	3,988	△12
(4)	Long-tern deferred accounts receivable (Including items scheduled for collection within one year)	12,326	12,326	—
(5)	Lease and guarantee deposits	35,921		
	Allowance for doubtful accounts(*2)	(467)		
		35,454	32,105	△3,348
	Total assets	133,129	129,768	△3,360
(6)	Accounts payable-other	32,919	32,919	—
	Total liabilities	32,919	32,919	—

*1. Allowance for doubtful for receivable-trade is deducted.

*2. Allowance for doubtful accounts for lease and guarantee deposits is deducted.

Notes: Calculation method for fair market value of financial instruments and securities

1. Assets

(1) Cash and deposits and (2) accounts receivable-trade

As this account is settled in a short-term and fair market value is close to the book value, book value is employed.

(3) Investment securities

Bonds are calculated based on prices quoted by correspondent financial institutions.

(4) Long-tern deferred accounts receivable (including items scheduled for collection within one year)

The estimated bad debt amount is calculated based on the estimated amount of collection, and the fair value approximates the balance sheet amount on the closing date, and such an amount is used as the fair value.

(5) Lease and guarantee deposits

This is categorized by period, and present value is calculated by discounting future cash flow with appropriate discount rate, which is based on the yield of government bonds.

2. Liability

(6) Accounts payable-other

As this account is settled in a short-term and fair market value is close to book value, book value is employed.

(3) Matters concerning the breakdown of the fair value level of financial instruments

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 market value: Fair value is calculated based on quoted market prices for the assets or liabilities for which such fair value is estimated that are formed in an active market among the inputs to the calculation of observable fair value

Level 2 market value: Fair value is calculated using inputs related to the calculation of observable fair value other than Level 1 inputs

Level 3 market value: Fair value is calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

Financial instruments other than those recorded on the consolidated balance sheet at fair value

（Millions of yen）

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment Securities				
Held-to-maturity securities	－	3,988	－	3.988
Lease and guarantee deposits		32,105		32,105
Total asset	－	36,093	－	36,093

Notes: Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair market value

Investment Securities:
Held-to-maturity securities
Held-to-maturity debt securities are classified as Level 2 fair value based on prices quoted by correspondent financial institutions.

Lease and guarantee deposits:
The fair value of security deposits and guarantee money is determined by the discounted present value method based on the interest rate using an appropriate index such as the yield of government bonds for future cash flows, classified by a certain period, and classified as Level 2 fair value.

9. Notes to real estate for rent

(1) Status of real estates for rent
The Group has facilities for restaurants, including land, in Chiba, Saitama and other areas.

(2) Fair market value of real estates for rent

（Millions of yen）

Amount recorded on consolidated balance sheet	Fair market value
44,974	41,446

Notes:
1. The amount recorded on consolidated balance sheet is the acquisition costs less the accumulated depreciation.
2. Calculation method for fair market value
In accordance with Paragraph 33 of the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23), the fair value of land is mainly calculated based on the "assessed value for property tax purposes" (including those adjusted using indices and other methods). For depreciable assets such as buildings, the fair value is deemed to be the appropriate book value.

10. Notes to revenue recognition

1. Information on the breakdown of revenue from contracts with customers

Current consolidated fiscal year (From Jan 1st to Dec 31st, 2022)

The Group's only business is the hamburger restaurant business, and the breakdown of revenue from contracts with customers is as follows.

(Millions of yen)

	Current Consolidated Fiscal Year (From Jan 1st to Dec 31st, 2022)
Company-operated store sales	237,757
Franchise revenue	113,925
Revenue from contracts with customers	351,683
Other revenue	617
Sales to external customers	352,300

2. Information that provides a basis for understanding revenue arising from contracts with customers

Information that provides a basis for understanding revenues from contracts with customers is included in "1.Assumptions underlying preparation of consolidated financial statements (3)Items related to accounting standards (e) Standards for recognition of significant revenues and expenses".

3. Information to understand the amount of revenue in the current and subsequent fiscal years

(1) Balance of contract liabilities, etc.

(Millions of yen)

	Current Consolidated Fiscal Year	
	Beginning Balance	Ending Balance
Contract Liabilities	5,275	5,216

Contract liabilities consist mainly of deferred revenue related to franchise fees received in advance from owners when franchise agreements are entered into, and advances received from customers when Mac-Cards are sold. Contract liabilities are reversed upon recognition of revenue. The amount of revenue recognized in the current fiscal year that was included in contract liabilities at the beginning of the period was 1,453 million yen. No revenue was recognized in the current period from performance obligations that were satisfied or partially satisfied in prior periods due to changes in transaction prices or other factors.

(2) Transaction price allocated to remaining performance obligations

The aggregate transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized as follows.

(Millions of yen)

	Current Consolidated Fiscal Year
Within 1 year	1,593
More than 1 year less than 2 years	887
More than 2 years less than 3 years	645
More than 3 years less than 4 years	579
More than 4 years less than 5 years	525
More than 5 years	983
Total	5,216

11. Per share information

Net assets per share	1,554.80 yen
Net income per share	149.96 yen

Explanatory Notes to Nonconsolidated Financial Statements

1. Summary of Significant Accounting Policies

(1) Standards and methods of valuation for marketable and investment securities

Shares in subsidiaries and affiliated companies:	Valued at cost using the periodic average method
Held-to-maturity securities:	Valued at cost.
Other securities:	
Unquoted securities:	Valued at cost using the periodic average method

(2) Major depreciable assets and methods of depreciation

Property and equipment:	Straight-line method
Intangible assets:	Straight-line method (For software used internally, the straight-line method is applied based on the period of expected use by the Company (5 to 10 years).

(3) Allowances and provisions

Allowance for doubtful accounts:	To provide for potential losses from doubtful accounts, the Company recognizes an amount calculated on the basis of a statutory deduction ratio for general accounts receivable plus an amount for specific accounts for which collection appears doubtful.
Provision for bonuses:	Allowance for bonuses amount has been recorded for future bonus payments to employees for this consolidated fiscal year. As some employees are entitled to stock-price-linked bonus, such amount is estimated at the fair market value of each fiscal closing date for the period from the grant date to payment date calculated using the Black Scholes option model, multiplied by the proportion of the elapsed period over the total vested period. This calculation only reflects market conditions
Provision for directors' bonuses:	Allowance for bonuses amount has been recorded for future bonus payments to employees for this consolidated fiscal year. As some employees are entitled to stock-price-linked bonus, such amount is estimated at the fair market value of each fiscal closing date for the period from the grant date to payment date calculated using the Black Scholes option model, multiplied by the proportion of the elapsed period over the total vested period. This calculation only reflects market conditions.
Provision for directors' retirement benefits:	In order to prepare for the payment of retirement benefit to directors, a provision is made for the estimated amount to be paid as of the end of the fiscal year based on the regulations of retirement allowance to retiring directors.

(4) Standards for recognition of significant revenues and expenses

The Company's revenues consist of dividends received from subsidiaries and real estate rent.For dividend received, revenue is recognized as of the effective date of the dividends. For real estate rents, the Company recognizes revenue corresponding to the excess period based on the rental income to be received under the contract based on the term of the rental agreement.

2. Notes to changes in presentation

Application of accounting standards for revenue recognition:

From the beginning of the current fiscal year, the Company applies “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and recognizes revenue with the amounts expected to be received in exchange for the promised goods or services as the control of such goods or services are transferred to customers.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year, was added to or subtracted from the beginning balance of retained earnings of the current fiscal year. There is no effect by this change on the consolidated financial statements.

Application of accounting standard for fair value measurement:

From the beginning of the current consolidated fiscal year, the Company applies “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in the paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement is adopted prospectively. There is no effect by this change on the consolidated financial statements.

3. Notes to balance sheets

(1) Accumulated depreciation on property and equipment: 13,301 million yen

(2) Receivables from and payables to affiliates

Short-term receivables:	5,083 million yen
Long-term receivables:	35,313 million yen
Short-term payables:	6,573 million yen

(3) A revaluation of land As per the Law Regarding the Revaluation of Land (Public Law No. 34, March 31, 1998), land used for business purposes is revalued and any valuation differential is recorded under shareholders’ equity.

Method of revaluation

As per Article 2-3 of the Implementation Order for the Revaluation of Land (Public Ordinance No. 119, March 31, 1998), the calculation was carried out using a rational adjustment based on the valuation amount for property tax.

Date of revaluation: December 31, 2001

Difference between book value and post-revaluation market value of revalued land at end of term: (882) million yen

(4) Reductions of property and equipment from gains on insurance claims were 22 million yen.

(5) “Other” asset in investments and other assets in the amount of 2,000 million yen is provided as guarantee deposits for the issuing of gift certificates (McCard), as per the relevant laws regulating prepaid gift certificates. Liabilities collateralized by these guarantee deposits are Contract liabilities from customers in the amount of 3,513 million yen. (Balance presented in the consolidated balance sheets is 2,006 million yen by deducting unredeemed McCards that are expected to end up remaining unused ultimately.)

4. Notes to statement of income

Transactions between the Company and its affiliates

Transactions related to operation	
Revenue	52,125 million yen
Dividend from affiliated company	5,200 million yen
Other	569 million yen
Transactions not related to operation	382 million yen

5. Notes to statement of changes in net assets

Treasury stock

	Beginning of term	Increase	Decrease	End of term
Common stock	1,020	74	—	1,094

Note: Increase in 74 treasury stocks is due to the acquisition of fractional shares.

6. Deferred taxes

	(Millions of yen)
Deferred tax assets	
Allowance for doubtful accounts	153
Asset retirement obligations	337
Loss from write down of investments in affiliated companies	220
Construction assistance fund	50
Loss carried forward	483
Business taxes payable	52
Depreciation expenses	8
Provision for directors' retirement benefits	47
Other	220
Subtotal	1,575
Valuation allowance	(1,490)
Total deferred tax assets	84
Deferred tax liabilities	
Long-term prepaid expenses	(86)
Asset retirement obligations	(5)
Total deferred tax liabilities	(92)
Total deferred tax assets – net	(7)

In addition to the above, there are deferred tax assets and liabilities for "revaluation for land" as follows:

Deferred tax assets	
Deferred tax assets for revaluation for land	1,613
Valuation allowance	(1,613)
Total deferred tax assets	—
Deferred tax liabilities	
Deferred tax liabilities for revaluation for land	(314)
Total deferred tax liabilities	(314)
Total deferred tax liabilities – net	314

7. Related party transactions

Subsidiaries (Millions of yen)

Relationship	Name	Capital	Type of business	% of voting rights held (held by others)	Nature/Scope	Type of transaction	Transaction amount	Account	Ending balance
Subsidiary	McDonald's Company (Japan), Ltd.	100	Hamburger restaurant chain	Owned direct 100.0	Interlocking directorates Leasing restaurants and offices	Real estate rental income (Note 2)	52,125	Accounts receivable to affiliated companies	4,916
						Management service fee income (Note 3)	215	-	-
						Collection of loan	1,444	Long-term loan receivable	35,313
						Interest income (Note 4)	167	Accrued interest	167
						Dividend from affiliated company	5,200	-	-

Notes:

1. Consumption tax is included in the year-end balances but not in the transaction amounts listed above.
2. Amount of fees and condition of business are decided based on the market trades.
3. Management service fee income is determined based on the nature of such services.
4. The interest rate applied in the loan receivable to McDonald's Company (Japan), Ltd. is based on the market interest rates. The amount of loan receivable is recorded at a net amount because the borrowing transaction is short-term.

8. Notes to revenue recognition

Information that provides a basis for understanding revenues from contracts with customers is included in "1.Summary of significant Accounting Policies(4)Standards for recognition of significant revenues and expenses".

9. Per share information

Net assets per share	1,046.19 yen
Net income per share	31.90 yen